

U.S. Nicotine Market: On the Lookout



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“It’s like deja-vu, all over again.” - Yogi Berra

It feels like just yesterday that I was writing updates concerning [the U.S. nicotine market](#). There is no shortage of new developments in the nicotine space, proving [that The Nicotine Basket](#) remains as dynamic as ever. In just a few short weeks, several occurrences have provided further considerations regarding how next-gen products will evolve in the United States. This contrasts sharply with legacy products, which, while challenged, continue to hold a narrow range of potential futures and exist in a considerably more rigid environment.

Let’s take a look at:

- Recent enforcement actions against illicit products
- Legal issues for Imperial Brand’s zone
- Musings on ALP pouches
- Haypp Group’s U.S. product mix availability

New year, new actions

FDA Updates Import Alerts to Reinforce that All Unauthorized E-Cigarettes May Be Detained Without Physical Examination

Federal agencies continue to optimize ongoing efforts to prevent unauthorized products from entering U.S.

The FDA began to revisit its policies and procedures in early 2023. I highlighted a disproportionate focus on enforcement actions, suggesting a heightened possibility of swifter action against illicit products. The start was slow, although the size and scope of actions increased considerably in 2024.



Changing Gears: A Shift in U.S. Tobacco Regulation

DEVIN LASARRE • MARCH 12, 2023

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The FDA has wasted no time in 2025. So far, several notable actions have already occurred. The FDA updated two import alerts, [98-06](#), “Detention Without Physical Examination of New Tobacco Products, Other Than ENDS, Without Required Market Authorization,” and [98-07](#), “Detention Without Physical Examination of Electronic

Nicotine Delivery Systems (ENDS) Lacking Premarket Authorization.” These actions carry weight, and their effects are already being felt. Many adult consumers who regularly purchase foreign products report their shipments becoming stuck in customs—earlier reports of extended holds, which had been eventually released, have shifted toward assumed permanence. Several prominent online retailers selling illicit products have suspended all sales and shipments to the United States.

On January 10th, the FDA announced a seizure of more than 600,000 illicit vapor products, predominantly flavored disposables, in Miami. Together, these actions force us to ask: Is a meaningful enforcement machine beginning to take shape? Indeed, the above actions have shifted how some sellers and consumers behave, though that is more concentrated in the pouch category. Unfortunately, as far as illicit vapor goes, further context shows that to the present day, actions are still too little. The joint effort enforcement action announced in October of 2024 seized over 3 million illicit vaping products. An estimated retail value of \$76 million was cited, suggesting the seizure earlier this month was a small fraction of that value. When considering the entire illicit vapor market in the country is estimated to carry a retail value of \$6-7 billion, it is clear that efforts need to accelerate most profoundly. As states continue to enact registry bills and other measures to curb illicit product availability, should these efforts keep pace on the federal level throughout the year, we may be able to quantify a true material impact closer to 2026.

zone on pause

Recent enforcement actions to curb illicit pouch products entering the market can only be read as intensely positive for the small list of products legally marketed in the United States. Of those brands, I have been **outspokenly bullish** on zone,

Imperial Brand's pouch, launched last year. The product slowly took share throughout 2024 through aggressive discounting to spur consumer trial, in which users would discover its high quality relative to competing brands.

Precisely one day following [my last update on the U.S. Nicotine Market](#), 2ONE Nicotine Pouches and Performance Plus Marketing were granted a [Preliminary Injunction Order](#) against Imperial Brand's zone following a continued trademark dispute. While this is only *preliminary*, Imperial will remain unable to sell and market its brand in the United States unless a favorable ruling is reached (unlikely) or the company pays a costly sum.

While this is disappointing as an Imperial shareholder, it is far from thesis-breaking. The product is a negligible part of the business as a whole. So long as the company manages its legacy portfolio astutely, the cash available to shareholders will continue to roll in and, just as swiftly, be [returned via dividends and rapid share repurchases](#). With that said, any eventual resolution to this dispute that allows Imperial to continue its upward trajectory with zone in the United States will be most welcomed and enhances an already straightforward thesis.

Musings on ALP

ALP's origin story begins with Tucker Carlson. Carlson was a power user of ZYN essentially evangelizing the product, using it continuously, and seemingly acting as a (very) unofficial spokesman. During an appearance on the Theo Von podcast last year, Carlson made some joking claims about ZYN and, shortly thereafter, received a letter from ZYN's legal counsel asking him not to make any such claims or promotions of their product.

You should be able to take a step back and objectively consider why ZYN's legal counsel would react in such a way. ZYN is heavily regulated and scrutinized, and its PMTAs are still pending. How the product is marketed and to whom it is marketed are critical. It isn't hard to see how Carlson's actions could land the brand in hot water.

Carlson's interpretation was slightly different. He felt relying on lawyers to send a letter rather than making a simple phone call was excessive and cold. It showed that the company was too stiff and couldn't take a joke. Why would he want to launch and use a product from a company like that? Overnight, Tucker Carlson's exuberance for ZYN had faded. It was no longer a wonder product.

ALP nicotine pouches were launched in November 2024 by a joint venture between Turning Point Brands and Tucker Carlson. The brand quickly became the talk of the town. I have been asked several times about the JV and the product.

Turning Point Brands produces FRE nicotine pouches. The brand initially launched with 9/12/15mg strengths. In July 2024, it launched 6mg, which is by far the most popular strength level in the United States market. The product itself is above-average in quality relative to what exists in the U.S. market. The flavors are potent, and the pouches are reasonably comfortable. Considering that many other brands don't offer 12 and 15mg strengths, the brand, at a minimum, can carve out a niche. Overall, user data and reviews read positively.

The ALP pouch website says, *"We'll spare you the corporate backstory and cut to the chase: we love nicotine pouches, and we're here to share that love."* and *"Unlike big corporations, we believe in keeping it real."* Granted, TPB is tiny compared to the larger tobacco majors. However, as a tenured and roughly \$1 billion market cap company, TPB's involvement shows that ALP isn't exactly a fresh upstart looking to shake up the industry. As for ALP being specially formulated, unsurprisingly

ALP pouches bear a striking resemblance to FRĒ. However, there is some variation in its flavor portfolio, and strengths are available in 3/6/9mg. User reviews skew favorably for ALP. But the product isn't revolutionary. Additionally, one of the most common criticisms is an elevated level of gum irritation caused by the product's use.

Overall, ALP's potential trajectory remains uncertain. During [TPB's Q3'24 call](#), management declined to address questions related to ALP. TPB's incentive for creating the JV in the first place is also questionable. Sure, even if ALP only takes a small fraction of share, that level of volume can be meaningful for a company TPB's size, and partnering with Carlson, who has been a vocal proponent of pouches, who has an incredibly large following, can provide a sizable level of awareness for the new brand. However, just like in the case of ZYN, and evidenced by other times throughout his career when he has landed himself in controversy, Carlson doesn't strike me as someone who is an ideal fit for a company interested in ensuring compliance at all levels. While there is potential upside, this asset can just as easily be viewed as a large liability.

Haypp's Mix

While I had highlighted ZYN outages across Haypp Group's U.S. sites in [early November 2024](#), the company's Q3 remarks, in which they highlighted struggles to stock the product from Q4'24 onward, caught the market off-guard. I want to abstain from too much speculation, but before my next talk with management, and seeing Q4 results, [which are likely to be quite choppy](#), a few observations can be made.

I routinely track product availability across various physical retail and online stores. Recently, ZYN has become available once again on Haypp's U.S. sites.

However, while unflavored product variants like ‘Smooth’ and ‘Chill’ are available as standalone items, all other flavors are included only in ‘Multipack’ and ‘Duo’ options. I assume this reflects the beginning of sourcing ZYN brand SKUs from wholesale, with limitations toward the more popular mint variants. Combining those SKUs into Multipacks and Duos allows the company to advertise to its verified users that the product is back in stock while steering consumers toward trialing alternative and newly launched brands.

The incremental resumption of ZYN SKU sales is positive, and I expect greater light to be cast on this development during the Q4 call. However, Haypp’s U.S. operations also face additional potential threats. The Preliminary Injunction against zone should reduce the value proposition concerning high-quality alternative products until (and if) ZYN volumes are renormalized. At the same time, while Velo Plus has launched and provides another excellent alternative, 11 considerations arise. One, the product is being heavily promoted by Reynolds. This likely benefits Haypp’s Marketing and Insights. However, Reynolds is also heavily subsidizing the product. While this might make for above-average margins for Haypp, the product’s pricing across physical retail stores aligns with what the group’s sites provide. Further, the Dragonfruit flavor is currently exclusively available at a physical retail chain, 7/11. These factors may amplify headwinds in the short term. In the grand scheme of things, over a longer outlook, should enforcement against illicit volumes continue apace, such concerns may prove trivial.

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Ownership Disclaimer

I own positions in tobacco companies such as Altria, Philip Morris International, British American Tobacco, Scandinavian Tobacco Group, and Imperial Brands. I also own positions in Haypp Group, a major online retailer of reduced-risk nicotine products.

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Tian Wen Debunking the Debunkers 5d

♥ Liked by Devin LaSarre

A bit of a general question — the complaint I read the most about nicotine pouches (besides tobacco addiction to nicotine) is the negative impact on the gums. Are you aware of companies working on this?

other kinds of oral nicotine products that don't suffer from this problem? And related: why are companies (besides pharmas) developing nicotine gums?

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1 reply by Devin LaSarre



Tian Wen Debunking the Debunkers 5d

♡ Liked by Devin LaSarre

Thank you for the information, Devin.

To your point about FDA's increased enforcement: this interview of Haypp's CEO is interesting (<https://m.youtube.com/watch?v=OaFNvUuyUsE>), and users on r/NicotinePouch report long customs delays.

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